



2005 PRESIDENT'S MANAGEMENT AGENDA RESULTS REPORT

INTRODUCTION

Beginning in 2001, the President's Management Agenda (PMA) challenged the federal workforce to: improve performance, deliver results and better serve the American people (<http://www.whitehouse.gov/results/>). The Environmental Protection Agency's (EPA) employees embody that spirit – dedicating time, talent and creativity to protect human health and the environment. In an era of limited resources, EPA employees recognize that innovation, streamlined services, performance, information sharing and maintaining a highly skilled workforce are the hallmark for delivering environmental results. These are the values embodied in PMA initiatives of: Expanded E-Government, Human Capital, Competitive Sourcing, Research and Development, Budget and Performance Integration, Improved Financial Performance and Eliminating Improper Payments.

EPA's 2005 PMA Results Report explores each of the PMA initiatives and exemplifies the interwoven connections between the initiatives. It highlights the success of our E-gov and Financial Performance initiatives – both of which have achieved a “green” rating on the PMA scorecard. The report also describes the Agency's path toward “green” on other PMA initiatives. It illustrates the importance of sound science in policy making, outlines the ways employees evaluate performance and manage for results, and describes the foundation on which we are building a long term Human Capital and Competitive Sourcing program. The unifying theme throughout each of these sections is that: EPA employees and our environmental partners are fostering efficient business practices and delivering effective environmental results to the American people.



E-Government: Helping Create a Results Oriented EPA

The demand for electronic information, online transactions, and new information management capabilities has driven the demand for E-Government (E-Gov) solutions. The PMA for E-Gov is creating important new ways for EPA to achieve its mission. E-Gov initiatives at EPA have had a significant impact on how EPA does business internally and with the regulated community, state and tribal governments, other federal agencies, and the public.

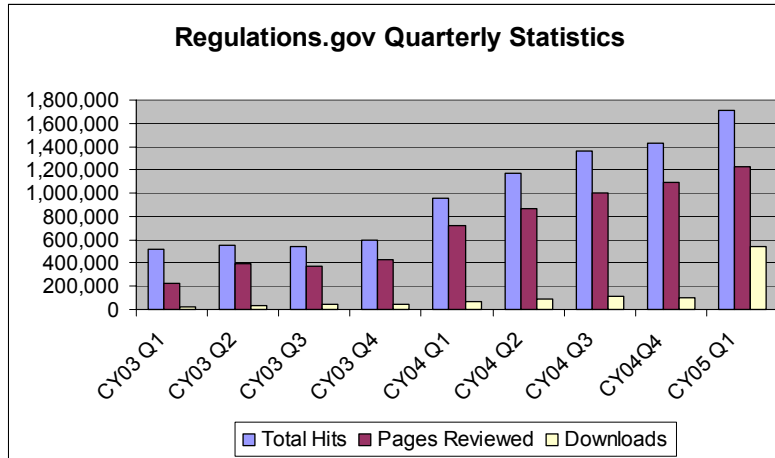
EPA, is actively participating in 18 of the 25 PMA E-Gov initiatives and five of the six new Lines of Business. In the spring of 2005, the Office of Management and Budget (OMB) identified EPA as one of only eight agencies deemed “green” in their color coded scorecard for progress and status.

Key to EPA=s success has been its ability to assess IT requirements that fulfill both organizational and strategic goals. In addition to EPA's leadership and active participation in E-Gov and the Lines of Business, EPA=s green status has been achieved due to the successful implementation of several other key activities, including EPA=s Enterprise Architecture, EPA=s Capital Planning and Investment Control program including the development of an Earned Value Management System, EPA=s Information Security program, and EPA=s leadership of the E-Rulemaking Initiative. Through effective use of these processes, the Agency is ensuring that IT investments are based on results-oriented business cases and that IT projects meet cost and performance goals. As a result, we are more efficient with resources entrusted to us by our citizens.



Leadership of the E-Rulemaking Initiative—Using E-Gov to Empower Citizens

Managed by EPA, the E-Rulemaking Initiative is overcoming barriers to public participation in the federal regulatory process by improving the public's ability to find, view, understand, and comment on federal regulatory actions. In January 2003, *Regulations.gov*, the engine behind E-Rulemaking, was launched in an effort to provide citizens with a one-stop, Internet Web site to learn about all proposed regulations and to have their comments shape the rulemaking process of all federal agencies. *Regulations.gov* allows visitors to search by keyword, topic (e.g., health and consumer safety; environment, energy and agriculture; travel and recreation), agency and other means to find proposed rules. Access to *Regulations.gov* has grown dramatically since its launch in 2003.



Building on the success of *Regulations.gov*, the E-Rulemaking Initiative will release a federal-wide electronic docket management system in the fall of 2005. This system will expand public access to rulemaking dockets, including posting online *Federal Register* notices, supporting documents (e.g., scientific, technical, economic analyses), and public comments. Additional capabilities will include: email notification, docket reporting features, sophisticated search tools, electronic system-of-record, and secure data management and access. The first participating agencies posting entire rulemaking dockets in the federal-wide system will include: EPA, National Archives and Records Administration, Department of Agriculture's Animal and Plant Health Inspection Service, the Department of Housing and Urban Development, and several agencies of the Department of Homeland Security. Over the next several years, the E-Rulemaking Initiative will consolidate into a single federal system more than 20 existing federal IT systems and integrate 135 federal agencies that currently utilize paper-based rule writing processes.

What this means to the public and employees is a more streamlined rulemaking process—one in which the public and the regulated community can actively participate. *Regulations.gov* saves the public a significant amount of time by simplifying the process to locate, access, and comment on a particular rulemaking. The system also democratizes federal rulemaking, enabling an average citizen to access, find, and comment on a proposed regulation, while also providing access to critical information (e.g., federal statutory responsibilities, organizational structure, and rulemaking timetables, etc.).

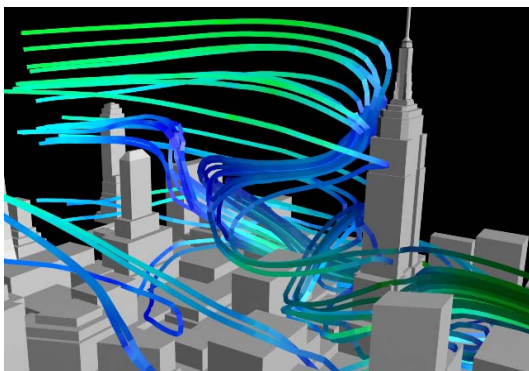
At the same time, internal rulemaking business processes will be made more efficient and transparent. Agency staff will save time and be able to use new capabilities they previously lacked. Agency employees and the public will be able to receive email notifications as documents are added to the system or events occur. Rulewriters will be able to search a central electronic repository to locate documents from historic rulemakings or from other agencies. Agencies will be able to distribute workload across staff, track docket management performance, and collaboratively develop joint rulemakings. Finally, the system will improve document storage and management which can reduce paper storage needs, thereby lowering costs.

Leveraging Science Expertise—Fostering Environmental Decision-making

EPA carries out a wide variety of science related activities to support the Agency's mission. The Agency has made a significant investment in scientific computing which addresses the needs of internal and external partners. An example of this investment includes EPA's Environmental Modeling and Visualization Laboratory (EMLV) which supports high performance computing, scientific visualization, and computational science services. The EMLV is housed in EPA's National Computer Center located in North Carolina. High performance computing and scientific visualization services combine powerful computer processors, large amounts of data, high-speed networks, and mathematical models to simulate global and regional environmental conditions. The simulations provide an insight into scientific data and can serve as the basis for sound environmental decision making.

Success story—Using IT to Make Better Environmental Decisions

Scientific visualization is an important tool for environmental research. By representing numerical data in a visual format, scientific visualization allows environmental scientists and analysts to better understand the results of their research and to effectively convey results to others.



EPA's Environmental Modeling and Visualization Laboratory is making scientific visualization the standard tool for analyzing environmental information, bringing the results of environmental research to decision makers, and communicating with the public about the successes and further needs of environmental protection.

Externally, EPA continues to pursue collaborations with other federal and international organizations in areas of life science, ecoinformatics, bioinformatics, and human health. In addition, the Agency is working on a data grid project to link EPA scientists with the Department of Energy laboratories, the National Institutes of Health and other public science entities.

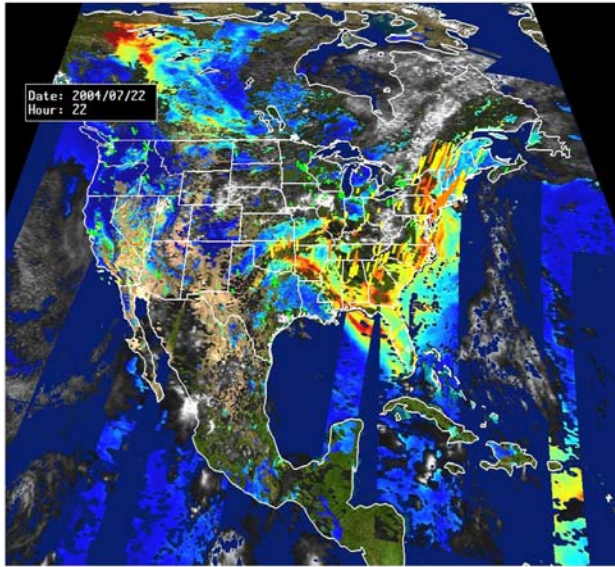
Given the need to support sound science, the investment in scientific computing infrastructure and the development of new, more complex disciplines, EPA is well positioned to provide scientific computing services on an enterprise-wide basis.

Development of a New Generation of Tools

EPA is a leader in developing geospatial analytical tools to help decision-makers and citizens answer common questions, examine critical problems, and discover potential solutions for environmental protection and human health issues.

GEOSS—Taking the Pulse of the Planet

EPA and dozens of other federal agencies provide federal government leadership in the Global Earth Observation System of Systems (GEOSS). GEOSS is a multilateral effort to use all forms of environmental data to survey and assess the health of humans and ecosystems, identify and mitigate environmental stressors, and evaluate effectiveness at regulating or controlling pollution.



In the spring of 2005, EPA established a Remote Sensing Information Gateway to facilitate transfer and analysis of different data sets stored by NASA, NOAA, and EPA. EPA's researchers and staff at EPA's Environmental Modeling and Visualization Laboratory in North Carolina demonstrate the impact of fires in Alaska on air quality on the Eastern seaboard of the U.S. and as far away as England over a period of five days. By using different sets of data from NASA (satellite images of the continental U.S. and aerial photography) and NOAA (wind vectors and modeled air flow), environmental professionals refine the inputs and assumptions of the Community Multi-scale Air Quality (CMAQ) model, a computational model that estimates the concentration, transport, and deposition of particulate pollution, ozone, and other air pollutants. The CMAQ model is used by federal, state, and local agencies in forecasting air quality for health alerts and air quality planning.

NEPAssist—Promoting Innovation

NEPAssist is an innovative Web-based GIS tool currently being used by federal and state agencies and localities responsible for filing and reviewing environmental impact statements and environmental assessments associated with the National Environmental Policy Act (NEPA). NEPAssist enables users to delineate a proposed project footprint on a map to receive readily available data and a report on critical environmental features in close proximity to a project area. Only recently deployed, NEPAssist enhances a data-driven review approach that maximizes the efficient use of limited staff and contractor resources for environmental impact assessment. EPA expects that the increased use of this tool will result in a considerable time and cost savings for the development and review of NEPA documents, both for EPA and other federal and state agencies.



NEPAssist enables scoping notices to be automatically sent to EPA for comment, providing immediate screening of environmental assessment indicators in accordance with regional decision rules for a user-defined area of interest. NEPAssist contributes to a streamlined review process that potentially raises important environmental issues at the earliest stages of project development saving time and resources.

Changing the Way EPA Conducts Environmental Business—Partnering for Results

PMA E-Gov activities have had a broad impact on the way the Agency carries-out environmental protection with state partners, the business community, and the public. Two of the major focus areas for improving how we carry out our business processes are the Exchange Network and the Agency's Central Data Exchange (CDX). The Exchange Network is a secure Internet- and standards-based approach for exchanging environmental data and improving environmental decisions. For the fourth consecutive year, EPA, state environmental entities, and tribes and territories are partnering in building the Exchange Network to increase access to environmental data and to make the exchange of data more efficient. Today, over 36 States and EPA have a “node,” or connection to this important network.

CDX is the Agency's node on the Exchange Network for environmental reporting and data services. In addition to serving as EPA's Network node, CDX enables fast, efficient, and accurate environmental data exchanges with industry. It employs a standards-based, service-oriented architecture (SOA). SOA is a software design concept that defines the use of modular standards-based components or services to support business requirements. This approach reduces costs, improves efficiencies in design and operations, and minimizes dependencies among systems and components in ways that also reduce maintenance and enhancement costs. CDX is one of the first implementations of a SOA in the federal government. CDX currently serves over 35,000 users with 20 production data flows for air, water, and waste programs. Currently, support is being expanded for 11 new data flows.

Already the Network and CDX are making a difference for states, industry and others by reducing the cost of sharing information and improving data quality, timeliness and accessibility. Examples include:

- In May of 2005, air emissions data from the Emission Statement Program were successfully transferred from the New Jersey Environmental Management System database to the EPA's National Emissions Inventory database system using the Exchange Network. In the past, this submittal would have required the state to spend approximately one month manually formatting the data. This new approach does not require manual data manipulation and enables the transfer of data with just a click of a mouse, improving both timeliness and data quality, and reducing burden.
- The development of a Notice of Intent electronic form (e-NOI) for the National Pollutant Discharge Elimination System (NPDES) Stormwater program using CDX has produced significant benefits. By FY 2006, the use of e-NOI is projected to save EPA \$265,000 annually. Not only does the e-NOI assist in form submission by linking to detailed instructions, prompts, and helpful information, but it also provides an automated error check to eliminate common mistakes that cause delay. EPA estimates that the use of e-NOI will reduce the amount of time to complete the form by 30 percent and eliminate approximately 33 days of processing time. Finally, the e-NOI improves data accessibility by enabling

information to be published immediately to the Web (www.epa.gov/npdes/). EPA currently receives between 1,000 and 2,000 forms each month (electronic and paper), and construction projects under EPA permitting authority larger than one acre of land require the submission of a NOI.

Success story: EPA - Michigan Network Grant Project

Clean Water Act Discharge Monitoring Reports (DMRs) are one of the nation's largest reporting requirements, second only to tax reporting. Typically, DMRs are submitted monthly by permitted and regulated wastewater dischargers identifying monitoring results against the permitted limits.

In the past, the State of Michigan was required to load data into both the state system and EPA's Permit Compliance System (PCS). To overcome increasing costs and limited resources, Michigan became part of the Exchange Network. In January 2004, Michigan established a node on the Exchange Network and began exchanging data with EPA.

After the first eighteen months, more than 34 percent of facilities in Michigan are reporting electronically, automatically sending data to EPA via the Exchange Network. The savings in state regulatory resources due to the reduction in manual data entry and correction of data entry errors, coupled with the elimination of submitting batch files, is projected to be between \$250,000 and \$500,000 annually. The annual savings to wastewater facilities is estimated at over \$2.5 million, or \$2,000 per facility. Already, Michigan has eliminated its DMR backlog and is achieving significant cost savings and anticipates additional administrative savings.

Due to this success, Michigan's DEQ has now implemented electronic reporting for its drinking water and Toxics Release Inventory programs. Electronic permitting using Exchange Network technology is now a reality in two state agencies, with nearly 200 additional permit application programs in ten state agencies expected to be operational within the current year.

Building on EPA's Success in E-Gov

Protecting our nation's health and environment requires cooperation between states, tribes, and local governments, businesses, communities and individuals. EPA's leadership in E-Gov strengthens the Agency's environmental results by simplifying and unifying common work processes, providing individuals with one-stop access to services, reducing duplicative information collection, and ensuring that data and information are collected on-line once, shared, and updated as needed. Through the PMA for E-Gov, EPA employees will continue to build on past success by applying new principles and methods to achieve better results, improve customer service, and provide greater savings to the American people.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

A Performance Driven Workforce Yields Meaningful Environmental Results

EPA's approach to strategic management of Human Capital underscores the importance of a workforce that is results-oriented and citizen-centered. An effective workforce is vital to EPA's success. Attaining the highest level of performance and accountability depends on three factors: people, processes, and technology. The most important of these is people, because our workforce defines the Agency's capacity to set ambitious targets and achieve desired results. EPA defines "Human Capital" as, "the knowledge, skills, abilities, attitudes, and interpersonal competencies needed to ensure successful accomplishment of our mission and strategic goals."

EPA's Human Capital Strategy fosters strong performance and results by increasing personal accountability and linking job requirements to EPA's mission and goals. The Strategy provides a framework for the Agency to: fill mission-critical positions with a diverse cadre of skilled individuals, inform EPA's planning and budgeting process to ensure workforce needs are met and anticipated, and train our diverse workforce to understand and implement complex environmental policies on behalf of the public. It sustains the delivery of environmental results by ensuring environmental programs are supported by the right people, in the right place, at the right time.

EPA's Human Capital efforts include:

- Performance Management
- Recruitment and Diversity
- Workforce Planning and Development

Cultivating Mission-Driven Performance

EPA began working to better connect employee performance to its environmental mission in 2004, when it began the process of linking job performance standards to Agency strategic goals and objectives. This step increases employees' understanding of how their individual contributions are part of a broader environmental program. Over the course of FY 2005, EPA has taken the PMA values of performance and accountability a step further by designing and implementing the Performance Appraisal and Recognition System (PARS).

To foster a performance-driven workplace, the Agency is implementing a new five-level performance management system for General Service/General Manager (GS/GM) employees called PARS. The new system is designed to improve the timeliness and usefulness of performance communication between supervisors and staff, and



promote increased accountability and productivity among all employees. All of EPA's managers and supervisors (1,713) are currently working under PARS. Starting on July 1, 2005, EPA began transitioning the remaining employees to PARS. PARS is a framework within which EPA employees will be able to demonstrate excellence in delivering effective and efficient government services.

EPA Recruits a Workforce Rich in Diversity, Skills and Leaders

EPA values a culturally and professionally diverse workforce – seeking to enhance and maintain that workforce so it can support mission critical occupations throughout the Agency. Mission critical occupations (MCOs) include: biologists, chemists, environmental engineers, and environmental protection specialists. The Human Capital Strategy provides general guidance to the Agency on recruitment and diversity goals; and individual organizations have adopted their own, customized Diversity Action Plans designed to meet individual programmatic needs.



EPA strengthens diversity and supports MCOs by encouraging students to join EPA's workforce. EPA's participation in the Student Career Experience Program (SCEP) is an example of this approach. The SCEP involves partnerships with 30 colleges and universities nationwide to provide "co-op" opportunities for college students. Since revitalizing the program in 2002,

EPA has had exceptional success in attracting highly-skilled candidates in diverse categories:

- Out of 47 total participants, 74% of participants are in under-represented groups; 24 (51%) were female; 12 (26%) were Hispanic; 9 (19%) were Asian; 5 (11%) were African American; and 1 participant was disabled.
- The program specifically targets recruitment for MCOs. As a result of this program, the Agency made 11 permanent employment offers to SCEP participants who have graduated in the following MCO positions: 2 environmental scientists, 4 information technology professionals, 1 chemist, and 4 program analysts.
- Additionally, 10 out of the 11 job offers were made to individuals in diversity categories.

EPA has maintained its workforce diversity by:

- Participating in national conferences, such as those of the League of United Latin American Citizens and National Hispanic Environmental Council, as a means to identify and refer potential job applicants to EPA managers;

- Expanding internal cross-training opportunities for current EPA staff by using such systems as the Project Announcement Visibility Effort (PAVE);
- Utilizing EPA's *Hispanic Roundtable*, an advisory group of mid- to senior level professionals and managers, to collaborate with program and regional offices and further strengthen outreach and recruitment strategies; and
- Collaborating with active workgroups (e.g., African American Male Forum and American Indian/Alaska Native) to enhance current recruitment and retention strategies.

The Office of Human Resources has established a human capital accountability process to monitor and report on the progress of approved Human Capital initiatives. By tracking the effectiveness of these initiatives, EPA will have a more complete picture of actual results and when appropriate, will take corrective action to address performance gaps.



Developing the Workforce of Today to Lead the Agency of Tomorrow

EPA has designed workforce development programs to reduce gaps in our mission-critical and leadership positions. EPA's efforts support the development of mission critical skills, ensure smooth continuity across leadership positions, and train new employees to become long term professionals. Among the many human resource programs offered by EPA, two of the most prominent are the Senior Executive Service Candidate Development Program (SES CDP) and the EPA Intern Program (EIP).

EPA created the SES CDP in 1990. The purpose of the program is to train candidates in skills necessary to serve in an SES position and to expedite the hiring process by non-competitive means. The SES CDP has helped bolster EPA's leadership ranks, and will help maintain effective environmental program management across the highest levels of our organization.

- The first SES CDP solicitation resulted in 30 candidates, of which 28 graduated. Eighteen candidates were selected for SES positions. Since the program's inception, EPA has sponsored one additional SES CDP in 2002. The most recent SES CDP solicitation had 655 applicants and 51 candidates were selected for the program.
- Thus far, within the 2002 class of 51 SES candidates, 28 have been placed.
- To facilitate placement of SES candidates, EPA gives candidates advance notice of vacant SES positions prior to their formal advertisement.

- To foster continuous improvement, EPA evaluates its success in placing SES CDP candidates in permanent positions. Measures of success include: number of SES candidates placed in a permanent position, average time of candidate placement, and overall program effectiveness in terms of training quality and preparation. The average placement time for the 28 SES candidates in the class of 2002 was approximately four months.

The Agency created the Environmental Intern Program (EIP) in 1998 with the purpose of developing junior employees into future EPA leaders. EPA has sponsored 211 EPA interns since the program's inception. To gauge the success of the EIP, the Agency recently conducted a survey of EPA interns and 107 interns responded. Survey results indicate: An upward career progression for all respondents, and that targeted training and development enhances interns' competitiveness for higher-graded positions.

- Investments in interns' training and development yielded a 70% retention rate within the home office.
- 67% of those surveyed found that the EIP training and development enabled them to grow professionally while remaining in their original job position.
- For interns graduating from 1998-2002, 70% remained at their duty station; while 67% retained their original job title.



EPA's implementation of its Human Capital Strategy is underway. The foundation has been laid. Progress is being made. Yet supporting and developing the EPA workforce is a job that is never finished. EPA must continue this journey – refining its strategies, strengthening recruitment techniques, promoting professional excellence and accountability, and integrating workforce needs with mission requirements. EPA's greatest asset is its employees and the PMA initiative on Human Capital ensures that our workforce is skilled, fulfilled and ready to deliver environmental protection to the American people.

COMPETITIVE SOURCING

Fostering Innovation and Efficiency to Achieve Environmental Outcomes

EPA has long recognized the value competition can bring to implementing complex environmental policies and managing a 17,000+ person organization. EPA has leveraged private sector assistance in the area of Information Technology and through the President's Management Agenda is utilizing competition to ensure effective use of the federal workforce in other programmatic public-private arenas. EPA's competitive sourcing process enables the Agency to evaluate the optimal mix of federal employees and contractor personnel and determine the most economical cost to the taxpayer while ensuring the highest quality of services.

The Agency's competitive sourcing program is overseen by a Competitive Sourcing Council composed of members of the Senior Executive Service and political appointees. This Council steers and makes recommendations for competitive sourcing studies throughout EPA. The program is based on:

- aligning strategic competitive sourcing opportunities with the requirements of the Human Capital Strategy;
- employing EPA's Strategic Plan to guide and determine prospects for creative management solutions and policy implementation; and
- achieving efficient processes that result in time and dollar savings for the Agency and the public.



Competitive Sourcing's Foundation and Drive toward Efficient Environmental Programs

Through the competitive sourcing process, EPA's management and its employees are able to analyze where and how the workforce is used to determine if any changes are needed to ensure success in meeting the agency's mission. In particular, EPA is improving the cost-effectiveness of environmental programs by determining who can most efficiently and effectively perform the work – the Agency employees or the private sector.

Each year, consistent with the Federal Activities Inventory Reform (FAIR) Act and OMB guidance, EPA reviews the activities its employees perform and determines whether private sector contractors could perform these same activities. The FAIR Act inventory provides an annual opportunity for the Agency to look at evolving business needs, link those needs with existing resources, and make strategic investments or disinvestments. In 2004 the Agency identified 844 positions as commercial and possibly suitable for competition. Implementation of the FAIR Act is one component of EPA's competitive sourcing program that ensures "commercial" activities are subject to the rigors of competition to promote innovation and streamlining of our environmental management approach.



EPA's Progress to Date

The Agency has completed four “streamlined” competitions for small activities that covered about 38 Full Time Equivalent positions combined.

- The Agency won the performance decision for three of the competitions in the functional area of risk analysis, which was for continued in-house performance based on the existing organization. In those cases, EPA employees clearly delivered the most effective and efficient services to the Agency and the public – no Agency employee was adversely impacted as a result of these competitions.
- The fourth competition was for 1 Full-Time Equivalent position in Region 3 in the fleet and property management area. The performance decision was for private-sector performance. This competition resulted in a total savings to the Agency of \$1,800 per year.
- EPA now has one on-going “standard” competition that covers 26 Full Time Equivalent positions. This competition is expected to result in substantial savings for the Agency over a five-year period, irrespective of a public or private sector win.

Future Plans

EPA is developing a long-term plan to consider how competition may be best applied to the commercial activities in its FAIR Act inventory that are identified as suitable for competition. EPA expects its 2005 inventory to more accurately reflect the number of commercial activities that may be considered for competition.

- By the end of FY 2008, EPA's planned competitions are expected to involve approximately 850 Full Time Equivalent positions.

Planned competitions will focus on commercial areas across the Agency; no one sector of the Agency will be unduly impacted.

RESEARCH AND DEVELOPMENT CRITERIA

Ensuring Sound Science and Sound Environmental Decisions

The Research and Development (R&D) Investment Criteria Initiative of the President's Management Agenda seeks to ensure that every federal R&D dollar is invested as effectively as possible. For EPA, this means that the research it conducts contributes significantly to the achievement of the Agency's strategic goals.



The PMA R&D Investment Criteria are: relevance, quality, and performance. All Federal research and development must be planned, budgeted, conducted, and accounted for using these three criteria. EPA's Office of Research and Development (ORD) leads the implementation of this initiative. Working with their customers both inside and outside of the Agency, ORD scientists and engineers set research priorities so that research efforts are effectively targeted to inform Agency decision-making. This research supports EPA programs, policies, and regulations that facilitate environmental and public health improvements achieved at the state and local levels. ORD conducts high-priority research that:

- is **relevant** to EPA's mission,
- is of **high quality** as determined by independent experts, and
- **produces results** that Agency program offices, regions, states, tribes, and other partners need to make informed decisions.

EPA's Research is Relevant to the Mission and the Public

EPA's Office of Air and Radiation (OAR) develops and promulgates National Ambient Air Quality Standards (NAAQS) for the Nation's air pollutants, including particulate matter (PM). ORD works extensively with OAR to ensure that the NAAQS are based on high quality science. A recently completed study on PM in the Utah Valley serves as a prime example of EPA's ability to provide key scientific information that strengthens regulations and safeguards public health.

A temporary shutdown of a steel mill in Utah gave EPA scientists a unique opportunity to design a *toxicological* study of particulate matter components to compliment a series of *epidemiological* studies conducted during and after the mill closure. Extracts of particles collected when the mill was operational caused reversible lung injury and inflammation, while extracts from particles collected while the mill was closed had minimal effects. The operation of the mill introduced harmful chemicals into the air that adversely impacted the composition of particulate matter. The Utah Valley research demonstrates that the chemical makeup of PM can be associated with specific health effects resulting from exposure to PM. These findings provide vital scientific data



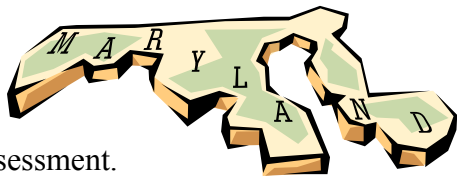
decision makers can use when reviewing the NAAQS, and other related actions to reduce pollution sources and more effectively protect human health.

Customers and Independent Experts Confirm EPA's High Quality Research

EPA scientists conduct cutting-edge, high quality research, as evidenced by the results of external reviews and references to EPA publications throughout the scientific community. EPA's Strategic Plan, finalized in 2003, incorporates a research component into each of the five environmental goals and specifically identifies high quality science as a "cross-goal" strategy that supports all environmental programs. The Board of Scientific Counselors (BOSC), composed of independent experts from academia, industry, government, and non-governmental organizations, recently reviewed four EPA research programs (endocrine disruptors, human health, ecosystems, and particulate matter research). BOSC feedback confirmed that the research conducted in these areas is relevant to EPA's mission, is of high quality, and contributes to results for the Agency. Partners from EPA Program Offices, regions, and states and tribes provided testimony at these reviews that ORD research is contributing to achievement of their environmental goals. The opinions of independent experts along with EPA's environmental partners bear witness to the fact that the Agency's research and development program is integral to effective environmental protection.

Research Results Lead to Informed Decisions

EPA research facilitates decision making even beyond the federal level. The state of Maryland is using tools developed as part of ORD's Environmental Monitoring and Assessment Program (EMAP) to determine the status of its ecological resources and target its restoration efforts. In the 1990's, ORD, in partnership with EPA Region 3, the Mid-Atlantic States, the US Fish and Wildlife Service, and multiple universities, developed a unique approach to sample almost 500 streams across the Mid-Atlantic Highlands. The purpose of the sampling was to understand the ecological health or conditions of the various streams. The statistical modeling approach became known as "EMAP." The Mid-Atlantic Highlands Streams Report, released in 2000, was a benchmark of stream condition across the Highlands and a scorecard against which to compare future changes in condition.



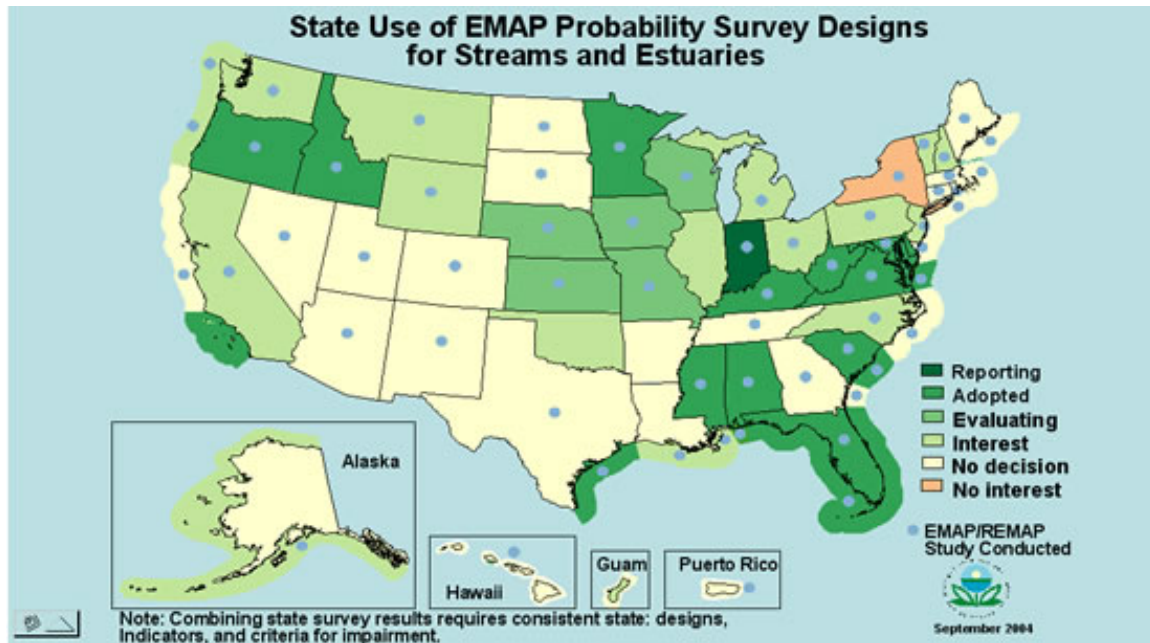
Assessment.

watershed action strategies for 58 watersheds needing restoration. Maryland is using this monitoring data to effectively target its resources and has allocated funds from multiple sources to get the watersheds restored. One area that greatly benefited from the results of EMAP's monitoring approach is Neff Run, a small sub-basin of George's Creek, a large Maryland watershed. Restoration activities include abandoned mine drainage reduction, riparian buffer plantings, cattle exclusions, and watering troughs. Even though work was only completed in 2004, some incremental improvement in water quality and biological

As a result of this effort, Maryland is using EMAP's statistical monitoring approach as the basis for its statewide Unified Watershed EMAP's data helped identify and establish

condition is already being seen in Neff Run. As additional restoration activities occur throughout the watershed, improved water quality and biology will result.

As of September 2004, fourteen (14) states have adopted EMAP as a vital tool to assess the quality of ecological resources and utilize that data to inform program management decisions about ecological resources.



Conclusion

EPA research provides a sound scientific foundation for environmental decision-making at the Agency, state, tribal and local levels. EPA's commitment to the R&D Investment Criteria of Relevance, Quality, and Performance helps ensure that this work supports critical Agency scientific needs, meets the highest standards of peer review, and produces valuable insights to pressing environmental and human health problems. From reducing scientific uncertainty in regulatory development to providing innovative tools and approaches for states, tribes, and local resource managers, the results of EPA research lead to informed decisions that more effectively protect Americans' health and their environment.



BUDGET AND PERFORMANCE INTEGRATION

Empowers Employees & Improves Environmental Decision-making

The PMA Budget and Performance Integration (BPI) Initiative incorporates multiple components of several other PMA initiatives to align the management of EPA's financial and human resources with the effective delivery of environmental results. The Budget and Performance Integration Initiative (BPI) is a key component of EPA's quest for better performance, increased accountability, better informed decision-making, and more transparent, comprehensive reporting of environmental results to the public.

BPI has several benefits for EPA employees. Stronger links between budgeting and performance measurement lead to:

- increased opportunities for informing long-term and short-term program management decisions,
- better understanding of how resource allocation can be adjusted to achieve maximum environmental results,
- additional opportunities to reward employees' exceptional performance, and
- enhanced environmental outcomes based on performance driven environmental programs.

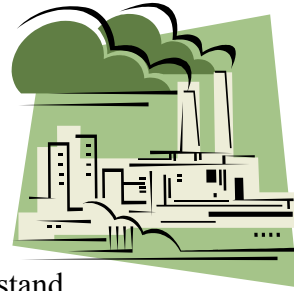


Most importantly, EPA's integration of budget and performance information gives EPA employees concrete feedback to assure they are doing their very best to serve the American people, and deliver services critical for protecting the human health and the environment. EPA's efforts meet the President's Management Agenda criteria for BPI as they are citizen-centered, results-based, and focused on efficient service, appropriate public access, and informed decision-making.

Increasing EPA's Efficiency by Measuring Performance

EPA's BPI Initiative is designed to make the work of environmental protection results-focused and cost-effective. Through various efforts to improve performance measurement, including activities related to the Government Performance and Results Act of 1993 and the Program Assessment Rating Tool (PART), EPA is re-thinking the way in which it manages environmental programs and evaluates programs' effectiveness.

Since 2003, 32 EPA programs have collaborated with the White House Office of Management and Budget (OMB) to develop improved performance and efficiency measures for environmental programs. These measures, an outgrowth of the PART process, are designed to link program performance with concrete environmental outcomes. In particular, efficiency measures show the relationship between resources and results and encourage appropriate distribution of limited financial and human resources. As a result of the PART exercise, organizations across the Agency have an increased awareness and seriousness about program performance and use performance data to inform the management of their environmental programs.



For example, the Office of Enforcement and Compliance Assurance (OECA) currently tracks trends in pounds of pollutants reduced per full-time equivalent (FTE) to better understand the relationship between staff effort and environmental improvements. The data generated by this efficiency metric fluctuate due to the nature and timing of the enforcement cases concluded during a given fiscal year, yet recent results demonstrate improved efficiency in achieving pollutant reductions over previous years.

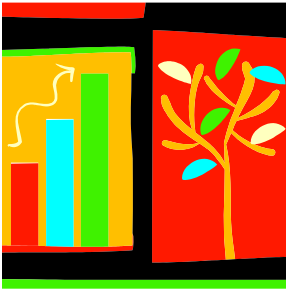
In 2004, the Agency reduced 291,010 pounds of pollutants per enforcement FTE, resulting in the total reduction of 1 billion pounds of pollutants from enforcement settlements. This indicates a significant increase in efficiency over the FY 2003 accomplishment of 174,912 pounds of pollutants reduced per FTE. Although the long-term trend for this measure is still uncertain, this data will enable OECA to better assess overall program effectiveness.

Performance Informs Programmatic Decisions

The Office of Water (OW) recognized that additional work with government partners was needed to demonstrate commitment to annual performance goals by showing improvement in drinking water system compliance reporting by states. For many years, OW worked with states on the Safe Drinking Water Information System (SDWIS) modernization efforts and the program expects to complete all upgrades by September 30, 2005. The SDWIS modernization initiatives successfully deal with three historical data quality issues: (1) difficulty entering SDWIS data; (2) high system costs; and (3) difficulty with SDWIS reporting. This effort will expand access to high-quality performance data and build capacity for decision-making and effective program management among federal and state partners – all of whom are working hard to protect the nation's drinking water resources.

To strengthen infrastructure, reduce health risks, and reach our national goal of providing 95% of the population with safe drinking water by 2008, the President's Budget requested additional funding to finance the design of infrastructure improvements to the largest drinking water system in Puerto Rico – San Juan's Metropolitano system. A budget request targeting Puerto Rico not only focuses resources on addressing the needs of higher risk populations, but it also is the most cost-effective way to achieve the 95% goal. Metropolitano serves 1.6 million people but cannot afford the infrastructure improvements needed to consistently meet existing drinking water standards. These additional funds for the design and improvements will enhance EPA's ability to reach the 95% safe drinking water goal. In addition, EPA's investment will assist in achieving these important health and environmental results:

- 1.6 million people will benefit from safer, cleaner drinking water;
- Risks of cancer, gastroenteritis, and other waterborne diseases will be reduced.
- Increased compliance with anticipated environmental rules (i.e., the Stage 2 Disinfectants/Disinfection Byproducts Rule and the Long Term 2 Surface Water Treatment Rule.)



The Office of Prevention, Pesticides, and Toxic Substances (OPPTS) is actively pursuing meaningful integration of performance and budget data. During the FY 2005 budget cycle, OPPTS embarked on an office-wide effort to re-engineer their existing Program Plan Database, a key tool in their planning and budget process. In conjunction with the other financial tools within OPPTS, the office now has the ability to link milestones and costs associated with program projects for the more than 250 projects the office administers every year. OPPTS employees now have the ability to view integrated information on program project activities, strategies, costs, and timelines for producing results. By focusing attention on BPI, OPPTS has reconfigured their data and better equipped employees to make day-to-day program management decisions that will promote the greatest environmental improvement for the available resources.

Transparency and Credibility in Describing Results to the Public

A critical component of the BPI Initiative and the entire set of PMA initiatives is increased accountability to the American people. EPA believes that improvements in efficiency, effectiveness, and performance measurement must be shared with employees and the public through well-written, compelling performance reports.

EPA's Office of the Chief Financial Officer (OCFO) is redesigning the annual Performance and Accountability Report (PAR) to make the performance and budget link more transparent for readers. Released each November, this report consolidates programmatic performance information from across the Agency. It is one of the primary methods for sharing EPA's progress on environmental protection with citizens and EPA employees and therefore must describe a clear, comprehensive picture of EPA's major achievements. OCFO is working with its Agency partners on the redesign of the PAR as part of a larger effort to merge information systems housing performance data with those containing budget data. The ultimate goal is to enhance public access to highly technical information, make that information more meaningful to EPA employees, and increase the public's understanding of the costs and expected results from EPA's programs.

Conclusion

EPA's continued efforts to improve performance measurement and to integrate budget and performance information are critical for achieving the Agency's ambitious environmental protection has encouraged EPA staff solutions to complex utilize performance data decision-making, and transparency and



goals. The BPI Initiative to develop efficient environmental problems, more effectively in introduce more accountability into

performance reports. Most importantly, EPA's success in the BPI Initiative leads to exceptional performance in carrying out the Agency's mission to improve human health and the environment.

IMPROVED FINANCIAL PERFORMANCE and ELIMINATING IMPROPER PAYMENTS

It's Not Just About Counting Money – It's About Making Money Count

A citizen-centered government is accountable to the individuals it serves. EPA's strong performance in financial management reflects employees' commitment to carefully overseeing the full costs of our transactions, maintaining clean accounting practices, reducing the rate of improper payments, and ensuring EPA's resources are appropriately expended to support the Agency's environmental mission. EPA's initiative on Improved Financial Management focuses on running environmental programs in a fiscally responsible manner so citizens' dollars are used wisely and their health and environment are protected

Improved Financial Performance

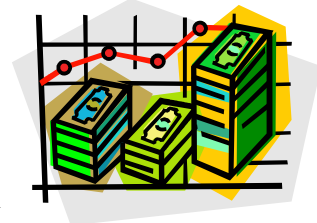
The President's Management Agenda (PMA) initiative on Improved Financial Performance is concerned with accurately accounting for the taxpayers' money and giving managers timely and accurate program cost information to inform management decisions and control costs.

What it Means to be “Green”

EPA achieved “Green” status on this initiative in September 2003 and has maintained that status ever since. EPA is one of only three federal agencies to maintain a “Green” rating for eight successive quarters. This feat was accomplished through continuous collaboration and teamwork among the financial management community in EPA headquarters offices and in the regions.

“Green” status on the PMA scorecard signifies success in the following areas:

- Accurate financial reporting. A clean audit opinion from an independent auditor assures everyone that an agency's financial statements accurately portray the use of taxpayers' money to achieve the Agency's mission and strategic goals. By making accurate financial reporting a top priority, EPA has received a clean audit opinion in each of the past five years.
- Timely financial reporting. In FY 2004, the deadline for submitting annual financial information was accelerated from five months after the end of the fiscal year to 45 days after the end of the fiscal year. EPA not only met this new deadline, but also met accelerated deadlines for submission of quarterly financial statements. EPA's success in producing financial information faster has meant that accurate financial information is readily available for use by decision makers.
- Useful financial information. When EPA integrated its budget with its strategic plan by modifying the accounting string in FY 2003, it made a major



breakthrough in providing financial information that linked costs to strategic goals and program results. This change allowed the tracking of costs from the highest level (i.e., goal) to the lowest level (i.e., activity). As a result of this clarity, employees at all levels are better equipped to understand the impact of financial decisions on EPA's mission, goals, and results. In May 2005, EPA redefined its cost accounting output from the Sub-Objective to Program/Project, which is more meaningful to program managers. This change will allow the Agency to develop a variety of reports to address financial management needs. The Agency is now focusing on identifying the kinds of additional information that program managers need and showing them how to obtain it.

Moving EPA's Financial Performance Beyond "Green"

In the true spirit of continuous improvement, EPA has several activities designed to further enhance the Agency's financial performance.

EPA is building upon last summer's re-alignment of financial functions in which the Agency created finance centers of excellence focused on one or two major financial functions, as well as related accounting and customer service responsibilities. In FY 2005, EPA began a two-year effort to transfer travel voucher payments, commercial payments, grant payments, and accounts receivable from regional offices to the EPA finance centers. Because the bulk of the transfers will not occur until FY 2006, performance improvements have not yet been assessed. EPA customers will still benefit because financial consolidation promotes greater efficiency by streamlining operations and improving uniformity and consistency in the interpretation and application of policies, rules, and regulations. Due to economies of scale, EPA regions will benefit because consolidation provides flexibility to shift resources from administrative services to mission critical work.



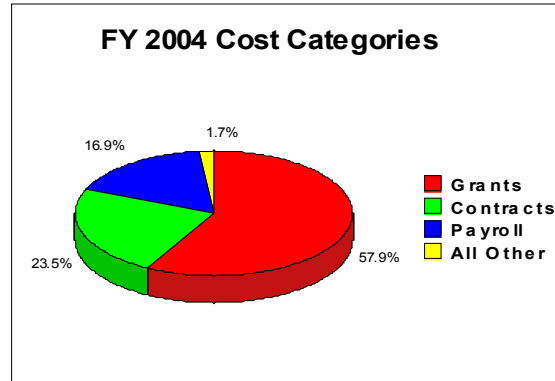
EPA is actively pursuing integration of financial management information on behalf of managers across the Agency. ORBIT, a standard web-based "business intelligence" financial reporting tool provides users throughout the Agency with improved access to financial, administrative, and operational information. ORBIT was upgraded this Spring and now features: significantly enhanced reporting capabilities; an enhanced, interactive Management Dashboard that allows greater flexibility in manipulating data; and easier navigation and an improved look and feel. The upgraded ORBIT has an additional data source, the Administrative Data Mart (ADAM), which provides users with a better database design for ad hoc reporting. ADAM also replicates many of the most popular reports generated by the Management Accounting and Reporting System (MARS), which will be phased out at the end of FY 2005. As of May 2005, ORBIT had 433 users across headquarters and regional offices.

A Holistic Look at Financial Information

Every day, EPA managers make decisions that directly or indirectly affect the Agency's ability to protect human health and the environment. EPA's challenge under the PMA is to apply its tools and discipline to develop financial information that can be used by all employees as an integral part of their daily decision-making. Beyond the development of web-based tools, EPA has undertaken a multi-office data integration effort highlighting the use of financial information to improve program efficiency and assure sound financial management.

EPA has developed a Data Integration Green Action Plan that focuses on key risk areas within its business processes. EPA's mission is so broad and complex that only one key risk area will be reviewed at a time. Grants management was selected as the first area for review because:

- Grants are a key factor in accomplishing EPA's mission and strategic goals.
- Grants are a significant percentage of EPA's resources. Grant programs comprised 58 percent of EPA's total costs in FY 2004.
- Management of the grants program requires a cooperative effort between Headquarters, and regional grants management, and program offices.



In its review of grants management, EPA is focusing on leveraging information technology to improve the performance of the grants process and strengthen oversight. EPA plans to:

- (1) integrate grants information from the Integrated Grants Management System and financial information from the Integrated Financial Management System (or its replacement) so managers can make more efficient resource decisions and all users will have a centralized location for grants information;
- (2) establish a single point for data entry to reduce or eliminate errors, maximize efficiency, realize cost savings and
- (3) maximize the use of financial data to assess the administrative and programmatic capabilities of non-profit grant applicants.

The Agency's focus on linking grants management and financial data will produce better information to ensure that: projects funded by grants provide the maximum return for the taxpayers' dollars, projects funded by grants achieve EPA's environmental objectives and desired results, and grant recipients are technically competent to carry out the work. EPA's successful analysis and risk reduction in the area of grants management area will serve as a foundation for examining other key risk areas such as contracts, debt collection, and the Superfund program.

The President's Management Agenda has brought a clearer focus to federal financial management. It is not just about counting things or cutting costs; it is about helping managers and staffs achieve results for each dollar spent. It's about ensuring our partners are equipped to carry out environmental work at the state and local level. EPA's financial management community is continually striving to strengthen its partnership with program managers, staff and our environmental partners to ensure resources are properly directed and spent to deliver a cleaner, healthier environment for everyone.

Eliminating Improper Payments

The President's Management Agenda initiative on Eliminating Improper Payments is focused on identifying, preventing, and eliminating erroneous payments. An improper payment occurs when federal funds are paid to the wrong person or entity, when the recipient of federal funds is paid an incorrect amount, or when the recipient uses federal funds improperly. The magnitude of improper payments Government-wide is unknown because not all federal agencies have reported on all their programs. However, 17 agencies reported over \$45 billion of improper payments in 41 programs Government-wide in FY2004. This initiative is important because taxpayers need to know that the Government is using their tax dollars for their intended purpose.

The Improper Payments Information Act of 2002 and implementing guidance from the Office of Management and Budget (OMB) required federal agencies to analyze the risk of improper payments for their highest risk programs and prepare corrective action plans for those programs with significant risk. Significant risk is defined as improper payments to either primary recipients or their subrecipients in excess of 2.5 percent of total program dollars and \$10 million.

EPA assessed its rate of improper payments and findings illustrated strong business management practices throughout the Agency. Specifically, EPA established four separate working groups to review grants, contracts, payroll, and travel cards/purchase cards; perform risk assessments; and as necessary prepare corrective action plans. All four areas were determined to be "low risk" for improper payments based on the legal guidelines. Across all programs, EPA's error rate for primary recipients was less than 1 percent.

Even though EPA's improper payments were minimal, EPA espouses the notion of continuous improvement. The Agency, therefore proposed to reduce the error rate of improper payments in the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund from 0.51% to 0.35% over a three-year period.

Error Rates in Highest Risk Inventories in EPA in FY 2003

EPA Program(s)	Improper Payments (\$ in millions)	Error Rate (%)
Clean Water and Drinking Water State Revolving Funds	\$12.4	0.51
Categorical Grant Programs (Formula grants)	5.7	0.51
Remedial Superfund Program (Contracts)	0.3	0.04

In FY 2004, OMB asked EPA to expand its previous risk assessment to include improper payments that occur after funds have left the Agency. The purpose of this expanded assessment was to ensure that funds are getting to grant recipients within the states (sub-recipients) and are being used for their intended purpose.

EPA conducted a review of FY 2004 direct payments to states for clean water and drinking water revolving funds. This review showed that the right recipient received the correct amount of funding in 100 percent of direct payment transactions sampled. EPA is also reviewing state payments to counties, cities, and municipalities' clean water and drinking water projects. EPA is using a sample of at least 100 sub-recipient payment transactions for each State Revolving Fund program (two per state) to determine the error rate for sub-recipient payments. Based on these reviews, EPA will identify the possible causes of payment errors at the sub-recipient level.

Employees in finance offices, procurement offices, and program offices throughout EPA are collaborating with states to identify and reduce the risk of improper payments. EPA has set target error rates for both FY 2005 and FY 2006 on which to evaluate performance. To achieve and maintain a "Green" progress score in FY 2005, EPA must reduce improper payments to .45 percent. To achieve "Green" status in FY 2006, EPA must accomplish the following:

- Produce a statistically valid error measurement for FY2006, and
- Reduce improper payments to .40 percent.

Improper Payment Reduction Outlook for FY 2004-FY 2007 (Dollars in Millions)						
EPA STATE REVOLVING FUND(S)	FY 2004 PROGRAM OUTLAYS	Improper Payments		Improper Payments Reduction Target Error Rates		
		FY04 %	FY04 (Amt.)	FY05 %	FY06 %	FY07 %
Clean Water & Drinking Water Revolving Funds	\$2,105	0.49	\$10.3	0.45	0.40	0.35

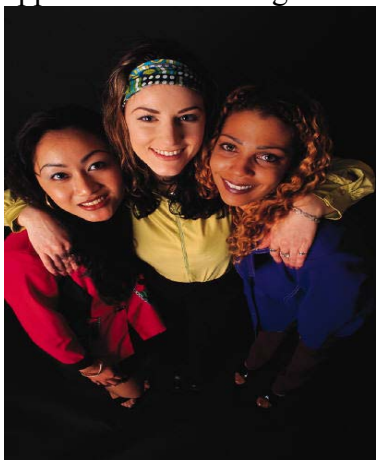
Thanks to the employees' fine work, EPA has made substantial progress toward achieving "Green" status for this PMA initiative.



SUMMARY

EPA's story of implementing the President's Management Agenda is evolving rapidly. We have laid the groundwork and provided many of the tools that will take our Agency and our workforce through the 21st Century. The values we are implementing – a focus on results, performance, and transparency – make all EPA employees more accountable to our primary customer – the American people.

At the foundation of this work is high quality information – available to employees, partners and citizens in the right format, at the right time. Without high quality data, we could not support our multiple lines of business, we could not examine environmental problems holistically, and we could not offer the public critical information on which they can base personal choices. The E-Gov Initiative enables us to think beyond the information we have and consider the information we want and need. It gives us the framework and technology to offer multifaceted environmental solutions that appeal to a broad range of decision makers and stakeholders.



As the public's demand for information about their environment increases, EPA employees must match their skills to meet it. Employees must be given the opportunity to demonstrate and be rewarded for excellence. The Agency must aggressively pursue workforce training and development to ensure a healthy, diverse cadre of employees is ready to face oncoming environmental challenges. EPA must strategically manage its new employees so that our interns of today, become our executives of tomorrow. Our workforce continues to grow and change and therefore our strategy to support Human Capital must reflect a course that values every employee and gives them the skill and flexibility to deliver comprehensive environmental results.

EPA employees recognize the need for innovation and creativity to address the complex environmental challenges within our country. Competition fosters such innovation and encourages creative problem solving. Competition provides an opportunity to identify greater efficiencies and deliver services more effectively. EPA's Competitive Sourcing Program has established a firm foundation on which innovation will thrive, efficiencies be gained, and most importantly, environmental protection will be sustained.

The notion of innovation extends to the arena of Research and Development. As a critical component of all EPA programs, the PMA initiative supports independent, reliable and relevant research. It embraces innovation and uses technological developments to guide environmental decision making. EPA's implementation of the Research and Development criteria consider customer needs and deliver high quality solutions. This work translates into concrete results that leave our air cleaner, our water purer, and our land better protected.

In the federal sector, appropriate funding is vital to an organization's long-term success. The PMA initiatives surrounding budget, performance, and finance, all seek to ensure that the taxpayers get what they pay for, and employees manage the money to deliver what the public asks. These initiatives focus all of EPA's employees on achieving results for every dollar spent. They focus the Agency on achieving its strongest performance by setting ambitious milestones and seeking innovative, efficient ways to achieve them. The initiatives foster transparency among policy makers, program managers, and environmental partners by integrating budget and performance information in a meaningful way, so people inside and outside government understand how and why decisions were made.



Over the coming year, EPA will continue to strive toward greater efficiency in its operations and greater results for its investments. In order to maintain a “green” rating in E-gov and Financial Performance and achieve a “green” rating in the other PMA initiatives, EPA submitted to OMB a draft plan of where we would be “Proud to Be” on our PMA scores by July 2006. EPA’s “Proud to Be III” plan will be finalized by the end of the summer and will guide the Agency’s work over the next year. In 2006, EPA will be “Proud to Be” “green” on the majority of its initiatives based on the support of employees and a focus on:

- measuring programmatic performance and achieving programmatic outcomes,
- seeking financial and business efficiencies through technology and competition,
- linking job performance to concrete results and developing employees to deliver those results,
- utilizing sound science to drive environmental policies, and
- fostering transparency and public access to government operations through technical innovation.

The PMA initiatives inspire a citizen-centered, results-oriented government. EPA employees deliver on those commitments every day. We value our colleagues and a culture rich in diversity. We value sound science and high quality information that helps parents make decisions for their children. We value strong financial management to ensure families they are receiving results for their investments. As public servants, employees implement the President’s Management Agenda initiatives to ensure that private citizens’ health and environment are protected, today, tomorrow and for generations to come.